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Approved by:

Mr. Corey Pickelsimer, Agricultural Attache
U.S. Embassy

Prepared by:

FAS Bangkok Staff

Report Highlights:

"SAWASDEE THAILAND" is a monthly newsletter prepared by FAS/Bangkok designed to update U.S. exporters and trade associations on the agricultural situation and export opportunities in Thailand. The newsletter is available for download at www.usdathailand.org and through the GAIN system

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SAWASDEE THAILAND

Issue 2/2007

ORGANIC MARKET UPDATE IN THAILAND

The current popularity of organic farming in Thailand can be traced back to the 1980's, when the heavy and improper use of agrochemicals drew media criticism for their negative impact on the environment and human health. Currently, organic farming in Thailand is primarily rice and other vegetables, such as baby corn. Thailand also produces limited quantities of organic tea, coffee, fish, herbs and honey. FAS/Bangkok estimates that only 25,600 hectares are being used for organic farming, which is less than 1 percent of total arable land.

Food retailers estimate that women make most of the food purchasing decisions and represent more than 70 percent of their customer base. Customer surveys show Thai consumers in urban areas are largely well educated and are aware of the importance of leading healthy lifestyles. Additionally, retailer data suggests sales of organic foods in Thailand are being driven by the perceived health benefits, and less so for environmental concerns.

In 2006, sales of organic foods in Thailand exceeded \$20 million, a 25 percent increase over the 2005 level. As a result, retailers are developing separate sections within their stores to promote organic products. Some of these displays will focus on organic vegetables, while others will contain a wider variety of organic products, such as tea, juices, snack foods, and honey. Stores carrying organics are mainly in Bangkok, primarily around the Sukhumvit area where upper income consumers are concentrated. Price sensitivity and supply chain limitations have largely prevented retailers in rural Thailand from promoting organics. However, retailers in Chiang Mai and Phuket, where tourism thrives throughout the year have begun promoting

MARKET ACCESS AND POLICY UPDATE

Seeking Increased Access for U.S. Beef and Ruminant Products

On May 22, the World Organization for Animal Health (OIE) recognized the United States as having a "controlled risk" BSE status, meaning the United States is now officially recognized as being in a risk classification eligible for trade in all beef and ruminant products. Currently, U.S. regulations already meet or exceed the conditions for trade defined in the "controlled risk" classification. As a result, USDA is in the process of notifying all trading partners of the OIE decision and requesting they commit to a timeframe to amend import requirements and expand access to their markets to reflect this controlled risk determination.

Seeking a Lifting of the Poultry Meat Ban From Three U.S. States

FAS/Bangkok is working closely with USDA/APHIS to request the Thai Department of Livestock Development lift their ban on U.S. poultry products from three states, including

California, North Carolina, and Missouri. The ban has been in place since March 30, 2005 after Low Pathogenic Avian Influenza (LPAI) disease was reported in these states in February 2005. According to OIE guidelines, LPAI is not a reportable disease and recommends there be no trade restrictions imposed on poultry meat imports. In 2006 Thailand imported more than \$300,000 in turkey products from the United States.

Revisions to the Measure for Controlling Food Contaminated with Veterinary Drugs

The Thai Ministry of Public Health (MOPH) will repeal the MOPH notification (No.231) BE.2544 (2001) pertaining to food contaminated with veterinary drugs, dated 30 July 2001. The replacement draft amends the previous notification by including definitions for “veterinary drugs” and “food contaminated by veterinary drugs,” as well as expanding the controlled list of veterinary drugs. For more information, visit www.fas.usda.gov

HOT NEWS FROM THAILAND

Tohkaiya Company, Selected as Official Supplier of the Certified Angus Beef (CAB) brand from the United States

Mr. S.S. Loo, Managing Director, said the Tohkaiya Company is pleased to represent the CAB brand as the brand represents excellent quality and consistency. For example, the CAB brand, which can be found in steakhouses, hotels, and retail stores throughout Thailand, maintains strict quality specifications covering flavor, juiciness and tenderness. The U.S. Department of Agriculture meat grading process ensures these quality standards are accurately and consistently assessed.

MARKET OPPORTUNITIES

U.S. Soybean Opportunity in Thailand

Thai consumers are quickly becoming more health conscious, which has led to increased consumption of soy-based drinks. The upward trend of food grade soybean consumption in Thailand is witnessed by the significant 21 percent growth in the consumption of soya milk. By comparison, the demand of UHT milk remained flat with only one percent growth in 2006. Flourishing market conditions have attracted the interest of another major Thai food & beverage company, SET-listed Thai President Foods (TF) to explore soybean milk industry. TF is currently test marketing a soya-milk product in Cambodia under the Green Mate brand, and will be launched in Thailand if successful.

The soya milk market in Thailand is currently valued at 4,863 million Baht (\$139 million). There are three major brands in the market; Lactasoy Co.,Ltd – Lactasoy, Green Spot Co.,Ltd. – Vitamilk, Dairy Plus Co.,Ltd. – DNA.

Thai Importers Selecting Organic Products from USA

Three importers from Thailand, Piriyaupul International, Sri Chok Chai Supermarket, and Villa Market JP are in the process of sourcing organic products from USA. All companies are currently seeking an array of organic products, including juices, vegetables, snack foods, and condiments. Representatives from the three companies were members of a Buying Mission Team to the 7th Annual All Things Organic™ Conference and Trade Show held in May.

UPCOMING EVENTS

American Fruits and Wines Promotion with Rimping Supermarket in Chiang Mai

Chiang Mai, situated in northern Thailand, is a leading tourist destination due to the distinctive mix of culture, arts, festivals, and traditions. In 2006, Chiang Mai's tourism grew by 11 percent, with more than 2 million visitors. In addition to tourism, Chiang Mai's continued economic growth and expansion has dramatically increased the amount of upper income consumers. In an effort to reach out to this growing consumer base, Rimping Supermarket, together with FAS/Bangkok, will organize an "American Fruits and Wines" promotion at all four outlets in Chiang Mai during June 10- July 10, 2007. The promotion will highlight Californian and Washington cherries, California grapes, California Stone fruits, and a variety of American wines. U.S. Ambassador Ralph Boyce will attend the promotion for the ceremonial ribbon cutting.

Food Ingredients Show 2007

This year's Food Ingredients Asia (Fi) 2006 welcomed 225 exhibitors from 32 countries, and attracted 6,959 visitors. This USDA-endorsed event attracts food professionals from the entire Southeast Asia region, which represents some of the fastest-growing economies in the world. With many food ingredients not available locally, the market for imported food ingredients is valued over \$1.6 billion in Thailand alone. Interested U.S. exporters should contact Sharon Cook with the Foreign Agricultural Service of the United States Department of Agriculture at Sharon.Cook@usda.gov

Biotechnology Update

On May 2, the Minister of Agriculture and Cooperatives, Thira Sutabutra, met with Thai regulators and academics to discuss guidelines for re-opening field trials of biotech crops, which have been banned in Thailand since 2001. According to the Minister of Agriculture, Thailand risks being at a competitive disadvantage from neighboring countries that have produced successful outcomes through their research in biotechnology. The Minister requested all relevant agencies cooperate on a draft proposal for conducting biotech field trials, and plans to submit the proposal for Cabinet approval in June 2007.

On June 24-27, FAS/Bangkok will attend the biotechnology workshop, "Strengthening Capacity and Regional Cooperation in Advanced Agricultural Science and Technology (AAST) in the Greater Mekong Sub-region (GMS)," organized by the Asian Development Bank. The objective of the conference is to strengthen regional cooperation for the safe use of advanced agricultural science and technology, biotechnology, and related food safety issues in GMS countries. Dr. Subhash Gupta, Senior Biotechnologist, Biotechnology Regulatory Service, USDA-APHIS, will present the U.S. experience in developing a regulatory framework for biosafety.

Global Conference on Agricultural-based Biofuels in Minnesota

The Thai Energy Ministry, a key authority in biofuels policy and development, nominated two senior engineers from the Department of Alternative Energy Development and Efficiency to participate in the USDA sponsored Global Conference on Agricultural-based Biofuels in Minnesota, scheduled for August 20-22, 2007. The objectives are to establish better cooperation between nations in developing solutions to the challenges posed by biofuel development. The event will bring together working level scientists, technical experts and Government officials

involved in biofuel decision-making to share information and experiences on the science, technology, and economics of biofuel development.

End of the Report